

**Housing Authority of the
City of Denham Springs**
Denham Springs, Louisiana

**General-Purpose Financial Statements and
Independent Auditor's Reports
As of and for the Year Ended September 30, 2002
With Supplemental Information Schedules**

**WILLIAM DANIEL McCASKILL, CPA
A PROFESSIONAL ACCOUNTING CORPORATION**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 6/25/03

HOUSING AUTHORITY OF THE CITY OF DENHAM SPRINGS

Denham Springs, Louisiana

General-Purpose Financial Statements

As of and for the Fiscal Year Ended September 30, 2002

With Supplemental Information Schedules

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

I have audited the accompanying general-purpose financial statements of the Housing Authority of the City of Denham Springs as of and for the year ended September 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the authority's management. My responsibility is to express an opinion on these general-purpose financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of the Louisiana Governmental Audit Guide. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

Management has not established a formal leasing arrangement with the LPEA Federal Credit Union, and has not recorded the related noncash transactions. Accordingly, the authority has not considered the materiality of any revenues, expenses, receivables and payables associated with the credit union's use of authority office space. Accounting principles generally accepted in the United States of America require that all material transactions be recorded and that transactions with related parties and amounts receivable from or payable to related parties be disclosed. The amount by which this departure would affect the financial statements is not reasonably determinable.

HOUSING AUTHORITY OF THE CITY OF DENHAM SPRINGS

Denham Springs, Louisiana
Independent Auditor's Report, 2002
Page Two

Note M to the financial statements describes that the PHA's Executive Director performs occasional contract work for the LPEA Federal Credit Union. The note does not disclose amounts of transactions between the PHA's Executive Director and the credit union and is vague regarding details of the nature and extent of the work.

In my opinion, except for the effects, if any, of not properly recording and disclosing related party transactions and amounts receivable from or payable to related parties as described in the preceding paragraphs, the financial statements referred to above present fairly, in all material respects, the financial position of the Housing Authority of the City of Denham Springs, as of September 30, 2002, and the results of its operations and the cash flows of its propriety fund types for the year ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued a report dated April 30, 2003 on my consideration of the authority's internal control over financial reporting and my tests of its compliance with certain laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

My audit was conducted for the purpose of forming an opinion on the general-purpose financial statements of the authority taken as a whole. The accompanying Schedule of Expenditures of Federal Awards, required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non Profit Organizations, is presented for purposes of additional analysis, and is not a required part of the general-purpose financial statements. The accompanying Financial Data Schedule, required by HUD, is presented for purposes of additional analysis, and is not a required part of the general-purpose financial statements. The accompanying combining schedules are presented for the purpose of additional analysis and are not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in my opinion, is fairly presented in all material respects in relation to the financial statements and any other included supplementary information taken as a whole.



Signature Valid

William Daniel McCaskill, CPA, APAC

Digitally signed by William Daniel
McCaskill, CPA, APAC
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APAC, c=US
Date: 2003.06.23 16:36:12 -05'00'

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 30, 2003

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Combined Balance Sheet - Proprietary Fund Type -
Enterprise Funds
As of September 30, 2002

Assets

Current Assets:

Cash and Cash Equivalents	\$ 307,068
Accounts Receivable - HUD Other Projects	41,999
Accounts Receivable - Miscellaneous	377
Accounts Receivable - Tenants Dwelling Rents	109
Accrued Interest Receivable	811
Interprogram Due From	41,999
Prepaid Expenses and Other Assets	3,761
Total Current Assets	<u>396,124</u>

Fixed Assets, Net of Accumulated Depreciation:

Land	17,200
Buildings	2,275,777
Furniture, Equipment & Machinery - Dwellings	33,020
Furniture, Equipment & Machinery - Administration	69,866
Leasehold Improvements	396,198
Accumulated Depreciation	<u>(2,186,453)</u>
Total Fixed Assets, Net of Accumulated Depreciation	<u>605,608</u>

Total Assets	<u>\$ 1,001,732</u>
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The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Combined Balance Sheet - Proprietary Fund Type -
Enterprise Funds
As of September 30, 2002

Current Liabilities (payable from current assets):	
Accounts Payable < 90 Days	\$ 2,257
Accounts Payable HUD PHA Programs	28,583
Accrued Wage/payroll taxes payable	372
Accrued Compensated Absences - Current	9,489
Tenant Security Deposits	5,150
Interprogram Due To	41,999
Total Current Liabilities (payable from current assets)	<u>87,850</u>
Total Liabilities	<u>87,850</u>
Equity:	
Contributed Capital	626,026
Retained Earnings (Deficit)	287,856
Total Equity	<u>913,882</u>
Total Liabilities and Equity	<u>\$ 1,001,732</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Proprietary Fund Type - Enterprise Funds
Combined Statement of Revenues, Expenses, and Changes in Retained Earnings -
For Fiscal Year Ended September 30, 2002

Operating Revenues:	
Net Tenant Rental Revenue	\$ 93,779
Tenant Revenue - Other	22,890
Total Operating Revenues	<u>116,669</u>
Operating Expenses:	
Administrative Expenses	103,495
General Expenses	30,655
Ordinary Maintenance & Operation	45,572
Protective Services	3,707
Utilities	11,360
Housing Assistance Payments	340,961
Depreciation Expense	129,786
Total Operating Expenses	<u>665,536</u>
Operating Income (Loss)	<u>(548,867)</u>
Non-operating Revenues (Expenses)	
Federal Operating Grants	446,776
Federal Capital Grants	47,391
Investment Income	5,291
Total Non-operating Revenues (Expenses)	<u>499,458</u>
Net Income (Loss)	(49,409)
Retained Earnings at Beginning of Year	274,943
Prior Period Adjustments, Equity Transfers and Correction of Errors	<u>62,322</u>
Retained Earnings at End of Year	<u>\$ 287,856</u>

The accompanying notes are an integral part of these financial statements.

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Combined Statement of Cash Flows - Proprietary Fund Type - Enterprise Funds
For Fiscal Year Ended September 30, 2002

Cash flows from operating activities:	
Operating Income (Loss)	\$ (548,867)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:	
Depreciation	129,786
Other	2,600
(Increase) Decrease in tenants accounts receivable	(109)
(Increase) Decrease in miscellaneous accounts receivable	10,168
(Increase) Decrease in prepaid items and other assets	2,046
Increase (Decrease) in accounts payable	1,892
Increase (Decrease) in accrued wages/payroll taxes payable	(2,028)
Increase (Decrease) in accounts payable other government	5,194
Increase (Decrease) in accrued compensated absences	4,437
Increase (Decrease) in accounts payable HUD PHA Programs	(1,103)
Increase (Decrease) in tenant security deposits	(1,050)
Increase (Decrease) in other payables and deferred revenue	(100)
Net cash provided (used) by operating activities	<u>(397,134)</u>
Cash flows from noncapital financing activities	
Proceeds from federal operating grants	<u>450,016</u>
Cash flows from capital and related financing activities:	
Payments to acquire, construct, or improve capital assets	(47,391)
Proceeds from federal capital grants	<u>20,454</u>
Net cash provided (used) for capital and related financing activities	<u>(26,937)</u>
Cash flow from investing activities:	
Investment income (interest income)	<u>6,334</u>
Net cash provided (used) for investing activities	<u>6,334</u>
Net increase (decrease) in cash and cash equivalents	32,279
Cash and cash equivalents at beginning of year	<u>274,789</u>
Cash and cash equivalents at end of year	<u>\$ 307,068</u>

The accompanying notes are an integral part of these financial statements.

HOUSING AUTHORITY OF THE CITY OF DENHAM SPRINGS

Denham Springs, Louisiana

Notes to the Financial Statements

For Fiscal Year Ended September 30, 2002

The Public Housing Authority (the authority) was chartered as a public corporation under the laws of the State of Louisiana for the purpose of providing safe and sanitary dwelling accommodations for the residents of Denham Springs, Louisiana. This creation was contingent upon the approval of the local governing body of the City. A five member Board of Commissioners governs the authority. The members, appointed by the City of Denham Springs Louisiana, serve a five year staggered term.

Under the United States Housing Act of 1937, as amended, the U.S. Department of Housing and Urban Development (HUD) has direct responsibility for administering low rent housing programs in the United States. Accordingly, HUD has entered into an annual contributions contract with the authority for the purpose of assisting the authority in financing the acquisition, construction and leasing of housing units and to make annual contributions (subsidies) to the authority for the purpose of maintaining this low rent character.

At September 30, 2002, the authority was managing 52 units of Low Rent Public Housing under FW-2512, a Capital Fund Program and a Section 8 Housing Choice Voucher Program.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Basis of Presentation

The accompanying financial statements of the authority have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

(2) Financial Reporting Entity

GASB Codification Section 2100 defines criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Because the authority is legally separate and fiscally independent, the authority is a separate governmental reporting entity.

The authority is a related organization of the City of Denham Springs, Louisiana since the city appoints a voting majority of the authority's governing board. The city is not financially accountable for the authority as it cannot impose its will on the authority and there is no potential for the authority to provide financial benefit to, or impose financial burdens on, the city. Accordingly, the authority is not a component unit of the financial reporting entity of the city.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

The financial statements include all funds and activities that are within the oversight responsibility of the authority.

GASB Codification Section 2100 defines criteria for determining which component units should be considered part of the authority for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

1. Appointing a voting majority of an organization's governing body, and
 - a. The ability of the authority to impose its will on that organization and/or
 - b. The potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the authority.
2. Organizations for which the authority does not appoint a voting majority, but are fiscally dependent on the authority.
3. Organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

The authority's component unit is not active.

Denham Springs Community Development Corporation

The authority formed this nonprofit entity in April 2000 to create another avenue to provide low-income housing. Denham Springs Community Development Corporation was determined to be a component unit of the authority because the authority can impose its will on the corporation. The corporation has been dormant since its inception, has never had a banking account, and, as well, had no activity for the year ended September 30, 2002. Therefore, there are no financial statements for the corporation.

Component Units Excluded

Certain units of local government over which the authority exercises no oversight responsibility, such as the parish police jury, school board, and municipalities within the parish, are excluded from the accompanying financial statements. These units of government are considered separate reporting entities and issue financial statements separate from those of the authority. In addition, the accompanying financial statements do not include various tenant associations, which are legally separate entities.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

(3) Fund Accounting

The authority uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds of the authority are classified as proprietary fund type – enterprise funds. Proprietary funds account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Proprietary funds differ from governmental funds in that their focus is on income measurement, which, together with the maintenance of equity, is an important financial indicator.

(4) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Proprietary funds are accounted for on a flow of economic resources measurement focus and a determination of net income and capital maintenance. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Proprietary funds use the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized at the time the liabilities are incurred.

(5) Budgetary Data

The authority is required by its HUD Annual Contributions Contract to adopt annual budgets for the Low Rent Public Housing Program and the Section 8 Programs. Annual budgets are not required for modernization and drug elimination grants as their budgets are approved for the length of the project. Both annual and project length budgets require grantor approval.

(6) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(7) Cash and Cash Equivalents

Cash includes amounts in demand deposits and interest-bearing demand deposits. Cash equivalents include amounts in certificates of deposits and those investments with original maturities of 90 days or less. Under state law, the authority may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Louisiana law or any other state of the United States, or under the laws of the United States.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

(8) Investments

Investments are limited by HUD regulations, state law, and the authority's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments. If the original maturities are 90 days or less, they are classified as cash equivalents. Investments are stated at fair value based on quoted market prices.

(9) Short-term Interfund Receivables and Payables

Short-term interfund loans are classified as Interprogram Due From and Due To. No eliminations have been made in the accompanying financial statements.

(10) Inventories

Inventory items are valued at cost on a first-in first-out (FIFO) basis. Any difference between cost and market is deemed immaterial. The authority uses a periodic inventory system and accounts for inventory using the purchase method. The authority had no inventory as of September 30, 2002.

(11) Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. Prepaid expenses generally consist of prepaid insurance.

(12) Fixed Assets

Fixed assets are recorded at historical cost and depreciated over their estimated useful lives (excluding salvage value) using the straight-line method. Donated capital assets are recorded at their estimated fair value at the date of donation. The capitalization limit is \$1,000. Estimated useful lives, in years, for depreciable assets are as follows:

Leasehold improvements	15 Years
Buildings	33 Years
Building improvements	15 Years
Non-dwelling structures	33 Years
Equipment	3-7 Years

Interest costs during construction have been capitalized. Infrastructure such as parking lots and sidewalks are included in leasehold improvements. All land and buildings are encumbered by a Declaration of Trust in favor of the United States of America as security for obligations guaranteed by the government and to protect other interests of the government.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

(13) Compensated Absences

Full time employees may accumulate an unlimited number of annual and sick leave hours. Depending on their length of service, employees receive payment for up to 300 annual leave hours upon termination or retirement at their then current rate of pay. Employees are not compensated for unused sick leave. The cost of current leave privileges, computed in accordance with GASB Codification Section C60 is recognized as a current year expense when leave is earned.

NOTE B – CASH AND CASH EQUIVALENTS

At September 30, 2002, the authority has cash and cash equivalents (book balances) totaling \$307,068 as follows:

Demand deposits	\$61,038
Interest-bearing demand deposits	114,774
Time deposits	131,131
Other	125
Total	<u>\$307,068</u>

These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal or exceed the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At September 30, 2002, the authority has \$323,492 in deposits (bank balances), categorized below to reflect the amount of risk assumed by the authority.

GASB Category 1	\$231,131
GASB Category 2	-
GASB Category 3	<u>\$92,361</u>
	<u>\$323,492</u>

Even though the pledged securities are considered uncollateralized (Category 3) under the provisions of GASB Statement 3, R.S. 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the authority that the fiscal agent has failed to pay deposited funds upon demand.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

NOTE C– FIXED ASSETS

The following is a summary of fixed assets:

Land	\$17,200
Buildings	2,275,777
Furniture and Equipment:	
Dwellings	33,020
Administration	69,866
Leasehold Improvements	396,198
Total	<u>2,792,061</u>
Accumulated depreciation	<u>(2,186,453)</u>
Net fixed assets	<u>\$605,608</u>

NOTE D– CONDUIT DEBT OBLIGATIONS

To provide for the development and modernization of low-rent housing units, the authority issued New Housing Authority Bonds and Permanent Notes-FFB. These bonds and notes are payable by HUD and secured by annual contributions. The bonds and notes do not constitute a debt of the authority, and accordingly, have not been included in debt in the accompanying financial statements. As of September 30, 2002 aggregate conduit debt included in contributed capital totaled \$117,657.

NOTE E – SEGMENT INFORMATION

The Low Rent Public Housing Fund accounts for the federal grant received from HUD to provide and operate cost-effective, decent, safe and affordable dwellings for lower income families.

The Housing Choice Vouchers Fund accounts for the federal grant received from HUD to aid very low income families in obtaining decent, safe, and sanitary rental housing.

The Capital Fund accounts for the federal grant received from HUD for the development, financing and modernization of public housing developments and for management improvements.

Selected segment information for the year ended September 30, 2002 follows:

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

	Low Rent	Housing Choice Vouchers	Capital Fund Program
Operating revenues	\$ 116,669	\$ -	\$ -
Depreciation	123,293	1,831	4,662
Operating income (loss)	(143,713)	(395,446)	(9,708)
Operating grants	31,642	410,088	5,046
Net income (loss)	(108,367)	16,229	42,729
Fixed asset additions	-	-	47,391
Net working capital	213,483	94,431	-
Total assets	761,086	128,856	111,790
Total equity	\$ 747,830	\$ 96,261	\$ 69,791

NOTE F - RETIREMENT PLAN

The authority participates in the Louisiana Housing Council Group Retirement Plan, administered by Broussard, Bush and Hurst, which is a defined contribution plan. The plan consists of employees of various local and regional housing authorities which are members of the Louisiana Housing Council. Through this plan, the authority provides pension benefits for all of its full-time employees. All full-time employees who have attained age 18 are eligible to participate in the plan on the first day of the month after completing three months of continuous and uninterrupted employment.

Under a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The employer is required to make monthly contributions equal to 8% percent of each participant's basic (excludes overtime) compensation. Employees are required to contribute 6% percent of their annual covered salary.

The authority's contribution for each employee and income allocated to the employee's account are fully vested after five years of continuous service. The authority's contributions and interest forfeited by employees who leave employment before five years of service are used to offset future contributions of the authority.

Normal retirement date shall be the first day of the month following the employee's sixty-fifth birthday. Early retirement may be elected on the first day of any month within 10 years of the employee's normal retirement date, provided the employee has completed five years of service with the authority. With the authority's consent, employees may defer retirement to the first day of any month beyond normal retirement date.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

The authority's total payroll for the year ended December 31, 2002, was \$90,016. The authority's contributions were calculated using the base salary amount of \$60,727. The authority made the required contributions of \$4,338 for the year ended September 30, 2002.

NOTE G - COMPENSATED ABSENCES

At September 30, 2002, employees of the authority have accumulated and vested \$9,489 of employee leave benefits, which is presented as a current liability of the appropriate fund(s) in the balance sheet. The long-term portion of the liability is considered immaterial and has not been reclassified to long-term liabilities. Except as discussed above, the liability has been computed in accordance with GASB Codification Section C60.

NOTE H – INTERPROGRAM DUE FROM AND DUE TO

Due from/to others:

	<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
Low Rent		\$37,312	
Housing Choice Vouchers		4,687	
Capital Fund Program			\$41,999
Total		<u>\$41,999</u>	<u>\$41,999</u>

**NOTE I – PRIOR PERIOD ADJUSTMENTS, EQUITY TRANSFERS, AND
CORRECTIONS OF ERRORS**

The Low Rent Public Housing Fund prior period adjustments and corrections of errors were recorded to adjust fixed assets and reclassify equity amounts. The net adjustments totaled \$13,175. The effects were a \$31,254 increase in retained earnings, and an \$18,079 decrease in contributed capital.

The Housing Choice Voucher Program recorded a prior period adjustment in the amount of \$31,068, which represents the FY 2001 merger of the certificates equity to Housing Choice Vouchers.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Notes to the Financial Statements – 2002

NOTE J – RISK MANAGEMENT

The authority is exposed to all common perils associated with the ownership and rental of real estate properties. To minimize loss occurrence and to transfer risk, the authority carries various commercial insurance policies including property, casualty, employee dishonesty, public official's liability, business auto and other miscellaneous policies. These policies are reviewed for adequacy by management annually.

NOTE K – LITIGATION AND CLAIMS

The authority did not record any contingencies related to litigation.

NOTE L – FEDERAL COMPLIANCE CONTINGENCIES

The authority is subject to possible examinations by federal regulators who determine compliance with terms, conditions, laws and regulations governing grants given to the entity in the current and prior years. These examinations may result in required refund by the entity to federal grantors and/or program beneficiaries.

NOTE M – RELATED PARTY TRANSACTIONS

The authority has an informal leasing arrangement with the LPEA Federal Credit Union for use of a portion of the authority's main office space. The credit union provides assistance with utility bills and staff assistance in return for use of the office space. It should be noted that the Executive Director performs occasional contract work for the credit union. In response to the auditor's 2002 finding (2002-2 in the Schedule of Findings and Questioned Costs), the authority is seeking an opinion from the Louisiana Attorney General's Office regarding whether the authority has violated LRS 42:1111 C 2 d and LRS 42:1112 B 3. LRS 42:1111 C 2 d states that no public servant (the Executive Director) shall receive anything of value for consideration of services rendered to an entity (the credit union) that has a business, financial, or contractual relationship with his agency (the authority). LRS 42:1112 B 3 states that no public servant (the executive director) shall participate in a transaction involving the governmental entity (the authority) and an entity for which he is an officer or employee (the credit union). It is the authority's position that the authority is not a political subdivision; therefore the executive director is not a public servant.

SCHEDULE 1

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Combining Balance Sheet - Proprietary Fund Type - Enterprise Funds
As of September 30, 2002

	<i>Low Rent</i>	<i>Housing Choice Vouchers</i>	<i>Capital Fund Program</i>	<i>Total</i>
<u>Assets</u>				
Current Assets:				
Cash and cash equivalents	\$ 184,729	\$ 122,339	\$ -	\$ 307,068
Accounts Receivable - HUD Other Projects	-	-	41,999	41,999
Accounts Receivable - Miscellaneous	377	-	-	377
Accounts Receivable - Tenants Dwelling Rents	109	-	-	109
Accrued Interest Receivable	811	-	-	811
Total Receivables, Net of Allowances	1,297	-	41,999	43,296
Prepaid Expenses and Other Assets	3,761	-	-	3,761
Interprogram - Due From	37,312	4,687	-	41,999
Total Current Assets	227,099	127,026	41,999	396,124
Fixed Assets:				
Land	17,200	-	-	17,200
Buildings	2,217,112	-	58,665	2,275,777
Furniture, Equipment & Machinery - Dwellings	33,020	-	-	33,020
Furniture, Equipment & Machinery - Administration	49,716	9,152	10,998	69,866
Leasehold Improvements	391,409	-	4,789	396,198
Accumulated Depreciation	(2,174,470)	(7,322)	(4,661)	(2,186,453)
Total Fixed Assets, Net of Accumulated Depreciation	533,987	1,830	69,791	605,608
Total Assets	\$ 761,086	\$ 128,856	\$ 111,790	\$ 1,001,732

SCHEDULE 1

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Combining Balance Sheet - Proprietary Fund Type - Enterprise Funds
As of September 30, 2002

	<i>Low Rent</i>	<i>Housing Choice Vouchers</i>	<i>Capital Fund Program</i>	<i>Total</i>
<u>Liabilities and Equity</u>				
Liabilities:				
Current Liabilities (payable from current assets):				
Accounts Payable < 90 days	\$ 2,257	\$ -	\$ -	\$ 2,257
Accounts Payable - HUD PHA Programs	-	28,583	-	28,583
Accrued wage/payroll taxes payable	372	-	-	372
Accrued Compensated Absences, current	5,477	4,012	-	9,489
Tenant Security Deposits	5,150	-	-	5,150
Interprogram Due To	-	-	41,999	41,999
Total Current Liabilities (payable from current assets)	13,256	32,595	41,999	87,850
 Total Liabilities	 13,256	 32,595	 41,999	 87,850
Equity:				
Long Term Debt - HUD Guaranteed	117,657	-	-	117,657
Net HUD PHA Contributions	508,369	-	-	508,369
Other HUD Contributions	-	-	-	-
Other Contributions	-	-	-	-
Total Contributed Capital	626,026	-	-	626,026
 Retained Earnings (Deficit)	 121,804	 96,261	 69,791	 287,856
 Total Equity	 747,830	 96,261	 69,791	 913,882
 Total Liabilities and Equity	 \$ 761,086	 \$ 128,856	 \$ 111,790	 \$ 1,001,732

SCHEDULE 2

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

Combining Statement of Revenues, Expenses, and Changes in Retained Earnings -

Proprietary Fund Type - Enterprise Funds

For Fiscal Year Ended September 30, 2002

	<i>Low Rent</i>	<i>Housing Choice Vouchers</i>	<i>Capital Fund Program</i>	<i>Total</i>
Operating Revenues:				
Net Tenant Rental Revenue	\$ 93,779	\$ -	\$ -	\$ 93,779
Tenant Revenue - Other	22,890	-	-	22,890
Total Operating Revenues	116,669	-	-	116,669
Operating Expenses:				
Administrative Expenses	49,551	48,898	5,046	103,495
General Expenses	26,899	3,756	-	30,655
Ordinary Maintenance & Operation	45,572	-	-	45,572
Protective Services	3,707	-	-	3,707
Utilities	11,360	-	-	11,360
Housing Assistance Payments	-	340,961	-	340,961
Depreciation Expense	123,293	1,831	4,662	129,786
Total Operating Expenses	260,382	395,446	9,708	665,536
Operating Income (Loss)	(143,713)	(395,446)	(9,708)	(548,867)
Non-operating Revenues (Expenses)				
Federal Operating Grants	31,642	410,088	5,046	446,776
Federal Capital Grants	-	-	47,391	47,391
Investment Income	3,704	1,587	-	5,291
Total Non-operating Revenues (Expenses)	35,346	411,675	52,437	499,458
Income (Loss) Before Operating Transfers	(108,367)	16,229	42,729	(49,409)
Net Income (Loss)	(108,367)	16,229	42,729	(49,409)
Add depreciation on fixed assets acquired by grants, entitlements, and shared revenues externally restricted for capital acquisitions and construction that reduces contributed capital	-	-	-	-
Increase (Decrease) in Retained Earnings	(108,367)	16,229	42,729	(49,409)
Retained Earnings at Beginning of Year	198,917	48,964	27,062	274,943
Prior Period Adjustments, equity transfers, and correction of errors	31,254	31,068	-	62,322
Retained Earnings at End of Year	\$ 121,804	\$ 96,261	\$ 69,791	\$ 287,856

SCHEDULE 3

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Schedule of Compensation Paid Board Members
For Fiscal Year Ended September 30, 2002

Board members serve without compensation.

William Daniel McCaskill, CPA

A Professional Accounting Corporation

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

I have audited the financial statements of the Housing Authority of the City of Denham Springs (the authority), as of and for the year ended September 30, 2002 and have issued my report thereon dated April 30, 2003. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the authority's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards which are described in the accompanying schedule of findings and questioned costs as item 2002-2, 2002-4 and 2002-5.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the authority's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana
Independent Auditor's Report
on Compliance...Government
Auditing Standards, 2002

Page Two

design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the authority's ability to record, process, summarize and report financial data consistent with the assertions of management in the general-purpose financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 2002-2, 2002-4 and 2002-5.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider items 2002-2, 2002-4 and 2002-5 to be material weaknesses.

This report is intended for the information of the board of commissioners, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.


Signature Valid **William Daniel McCaskill,
CPA, APAC**

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 30, 2003

Digitally signed by William
Daniel McCaskill, CPA, APAC
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

Compliance

I have audited the compliance of the Housing Authority of the City of Denham Springs (the authority) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2002. The authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the authority's management. My responsibility is to express an opinion on the authority's compliance based on my audit.

I conducted my audit of compliance in accordance with: auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non Profit Organizations. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the authority's compliance with those requirements.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana
Independent Auditor's Report
on Compliance...A-133, 2002
Page Two

As described in item 2002-1, 2002-3 and 2002-5 in the accompanying schedule of findings and questioned costs, the authority, did not comply with requirements regarding housing quality standards inspections, reporting and allowable costs that are applicable to its Housing Choice Voucher program. Compliance with such requirements is necessary, in my opinion, for the authority, to comply with requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, the authority, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2002. The results of my auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2002-5 and 2002-6.

Internal Control Over Compliance

The management of the authority is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Authority's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect the authority's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2002-1, 2002-3, 2002-5 and 2002-6.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana
Independent Auditor's Report
on Compliance...A-133, 2002

Page Three

employees in the normal course of performing their assigned functions. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider items 2002-1, 2002-3, 2002-5 and 2002-6 to be material weaknesses.

This report is intended for the information of the board of commissioners, management, and for HUD. However, this report is a matter of public record and its distribution is not limited.



Signature Valid

**William Daniel McCaskill, CPA,
APAC**

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Date: 2003.06.23 16:37:27 -05'00'

William Daniel McCaskill, CPA
A Professional Accounting Corporation

April 30, 2003

SCHEDULE 4

Housing Authority of the City of Denham Springs
Denham Springs, Louisiana
Schedule of Expenditures of Federal Awards
For Fiscal Year Ended September 30, 2002

<i>CFDA #</i>	<i>Name of Federal Program</i>	<i>Federal Award Expenditure</i>
14.850a	Low Rent Public Housing	\$ 31,642
14.871	Housing Choice Vouchers	410,088
14.872	Public Housing Capital Fund Program	52,437
	Total Federal Expenditures	<u>\$ 494,167</u>

At fiscal year end, the equity section of the balance sheet included
\$117,657 of Long Term HUD Guaranteed Debt.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**
Denham Springs, Louisiana

Schedule of Prior Year Audit Findings
Fiscal Year Ended September 30, 2002

There were no findings in the prior audit.

HOUSING AUTHORITY OF THE CITY OF DENHAM SPRINGS

Denham Springs, Louisiana
Schedule of Current Audit Findings and Questioned Costs
Fiscal Year Ended September 30, 2002

Per OMB Circular A-133, Section 505(d)

1. Summary Schedule of Auditor's Results:

- i. The type of auditor's report issued was qualified.
- ii. There were reportable conditions required to be disclosed by Government Auditing Standards issued by the Comptroller General of the United States.
- iii. There were instances of noncompliance considered material, as defined by Government Auditing Standards, to the financial statements.
- iv. There were reportable conditions required to be disclosed by OMB Circular A-133.
- v. The type of report the auditor issued on compliance for major programs was qualified.
- vi. The audit disclosed audit findings, which the auditor is required to report under Section 510(a) of OMB Circular A-133.
- vii. The major federal programs are:

<u>CFDA#</u>	<u>Name of Program</u>
14.871	Housing Choice Voucher
14.872	Capital Fund Program

- viii. The dollar threshold used to distinguish between Type A and Type B programs as described in OMB Circular A-133, Section 520(b) was \$300,000.
 - ix. The auditee qualified as a low risk auditee under OMB Circular A-133, Section 530.
2. Findings required to be reported by Government Auditing Standards are finding 2002-2, 2002-4 and 2002-5. Findings required to be reported by OMB Circular A-133 are 2002-1, 2002-3, 2002-5 and 2002-6.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

3. Findings are as follows:

Finding Number 2002-1

Name of Program— Housing Choice Voucher (HCV)

CFDA Number – 14.871

Federal Agency – HUD

Federal Award Number – 2002 Year

Criteria— The compliance requirement from the OMB A-133 Compliance Supplement for HCV reads, "The PHA must inspect the unit leased to a family at least annually to determine if the unit meets Housing Quality Standards (HQS) and the PHA must conduct quality control reinspections. The PHA must prepare a unit inspection report (24 CFR sections 982.158(d) and 982.405(b))." 24 CFR 982.158 reads in part "The PHA must maintain complete and accurate accounts and other records for the program in accordance with HUD requirements, in a manner that permits a speedy and effective audit."

Condition— Of the twenty-five HCV tenant files tested, the following deficiencies were noted:

Twenty-five did not contain properly completed HQS inspection forms

Questioned Cost – None

Perspective Information – The PHA administers 120 HCV units with housing assistance payments totaling \$340,961.

Cause—The City of Denham Springs performs these inspections for the PHA. City staff may not be trained on properly completing HQS inspection forms. Individual items on the form are not completed, notations of deficiencies are made at the bottom of the form, and no documentation is provided to ensure that deficiencies were subsequently corrected.

Effect— The authority cannot demonstrate compliance with federal regulations.

Recommendations – Ensure that the HQS inspection forms are properly completed including documenting corrective action for deficiencies noted.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

PHA Response--

The PHA disagrees with this finding. It is true that the PHA uses the City of Denham Springs to do its inspections and 100% of the section 8 properties under the PHA's

Jurisdiction had been inspected according to Housing Quality Standards the PHA's inspections were placed on the wrong forms. Deficiencies that were noted on the forms were correctly timely as per HUD regulations.

It may be further noted that the City Inspector has years of experience in inspecting properties. He inspects new construction, renovations and provides guidance to the City Planning & Zoning Commission relative land use and zoning. He has over 15 years of experience and knows building codes, which is a requirement for his job.

The PHA transfer the inspection data from the old form to a form that the audit said was acceptable. That was confirmed and reviewed by the Auditor Danny McCaskill.

It should be further noted that the fact that inspections were placed on wrong forms does not mean that the PHA is not properly trained. The PHA has attended several PHAS workshops and seminars- much, which Louisiana Housing Council has sponsored.

Finally the Auditor, when asked for guidance on use of the proper forms did not know what the correct form looked like.

The PHA further researched the inspection form issue only to find that only HUD 52580 is the only approved form that may be used unless approval is given by HUD in writing to use a variation of this form. I do not feel that this has been equally enforced. It should be noted that other PHA's have used the same form as this PHA and have not been cited

The PHA stands by its previously submitted report to HUD for the same basic reasons as stated in above item

AUDITOR'S RESPONSE-

During the prior audit, I noted that the PHA was not using HQS inspection forms. I did not include a finding in the prior report based on PHA staff's assertion that they would immediately change to the correct form. They did timely change to the correct form. However, the form itself requires that the inspector document certain physical conditions that exist in each room of the house. To completely skip 90% of the form and make notations at the bottom of the last page is not the correct method of filing out the form. Any correct completion of the HQS forms as described in the "PHA Response" was done subsequent to the draft finding being delivered to the PHA.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

Finding 2002 -2

Name of Program—Low Rent Public Housing, Housing Choice Voucher

CFDA Number – 14.850a, 14.871

Federal Agency – HUD

Federal Award Number – FW-2512 – LA101VO

2002 Year

Criteria—Per LRS 42:1111C2d, no public servant (the Executive Director) shall receive anything of value for consideration of services rendered to an entity (the credit union) that has a business, financial, or contractual relationship with his agency (the PHA). Using office space creates a business relationship. Per LRS 42:1112B3, no public servant (the executive director) shall participate in a transaction involving the governmental entity (the PHA) with an entity for which he is an officer or employee (the credit union).

Condition—The PHA owns and operates a central office on PHA property. LPEA Federal Credit Union utilizes office space, equipment, and utilities at the PHA's central office without paying rent (services provided by credit union staff offset rent). The Executive Director of the PHA is also an officer of the credit union, receiving full time salary from the PHA as well as contract compensation from the credit union.

Questioned Cost – None

Perspective Information—Not Applicable

Cause—The cause is unknown.

Effect—The PHA may have violated provisions of the statutes cited.

Recommendations – Discontinue any relationships that potentially violate state law.

PHA Response-

Please find the following final responses to your audit findings:

2. Finding pertaining to La. R.S. 42:1111(C)(2)(d) and La. R.S. 42:1112(B)(3). Both of these statutes pertain to prohibited transactions involving public servants and/or governmental entities.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

As we stated in our previous correspondence, La. R.S. 42:1102(12) sets forth the definition for governmental entity which is "the state or any political subdivision which employs the public employee or employed the former public employee or to which the elected official is elected, as the case may be." We are still maintaining that the Housing Authority is not a political subdivision. Since this issue is incapable of being resolved, we are going to seek a formal opinion from the Louisiana Attorney General's Office. We will, at the next Housing Authority Board Meeting, propose a resolution allowing us to seek the opinion of the Attorney General on this matter.

Finding number 2002-3

Name of Program— Housing Choice Voucher

CFDA Number – 14.871

Federal Agency – HUD

Federal Award Number – LA101VO

Award Year – 2002 Year

Criteria— The OMB A-133 Compliance Supplement for HCV and 24 CFR 985 require the submission of HUD Form 52648, SEMAP Certification. 24 CFR 985.3 reads in part, "The method for selecting the PHA's quality control sample under paragraphs (a), (b), (c) and (f) of this section must have a clear audit trail that can be used to verify that the PHA's quality control sample was drawn in an unbiased manner." For each indicator, 24 CFR section 985.3 states that if documentation does not support the PHA's certification, the PHA receives zero points. Therefore, the PHA may not simply represent or state that a quality control sample was tested; there must be auditable documentation to support that representation.

Condition—The SEMAP submission to HUD was not supported by documentation to substantiate the responses as follows:

Indicators 1, 2, 3 and 6 – The PHA does not have adequate documentation to satisfy audit requirements concerning quality control samples.

Indicator 5 – The PHA does not have adequate documentation to satisfy audit requirements concerning a sample of re-inspected units.

Questioned Cost – None

Perspective Information – The PHA administers 120 units of Section 8 Housing with Housing Assistance Payments totaling \$340,961 for FYE 2002.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

Cause—It appears that the PHA was not aware of this requirement.

Effect—Per HUD regulations, the PHA's SEMAP score should be changed to a zero for any indicator that the auditor is not provided adequate documentation for.

Recommendation – Document quality control samples and re-inspection of units in conformance with federal regulations.

PHA Response--

Indicator 1. The PHA disputes this finding. The PHA supplied the Auditor with the proper documentation for the proper selection of applicants from the Housing Choice Voucher Waiting List. The Auditor was supplied with the waiting list and the PHA's Administrative Plan. The Executive Director has over 28 years of experience and has been audited 27 times plus numerous times by HUD. He is fully aware of what a waiting list is and knows how to use it to administer the Housing Choice Voucher program in accordance with the PHA's Administrative Plan.

Indicator 2. The PHA has sound determination of reasonable rent and a written method to determine the rent to the owner is reasonable. The PHA illustrated to the audit the method used for both the Old and the new rent reasonableness program. It was further explained the the PHA was in transition in using the new program. The completion of the implementation of the Nelrod Rent reasonableness program was completed while the auditors were on site. The response to the PHA was though we had not shown adequate documentation when they first came into the PHA, that a "Good faith" effort had been made and we are now in compliance. 100 % of all units in our program have been tested and showed that the rents were reasonable and met the compliance guidelines. Not one unit had rents that were not reasonable when all (100%) of units were checked.

Indicator 3. The PHA gave the Auditor the information requested to document this indicator. The PHA does comply fully with this indicator and has never been told or shown why it does not.

Indicator 6. The Auditor was shown the PHA's quality control samples . The number of sample inspections done by the Executive Director far exceeded the required numbers by HUD. The Executive Director actually did 25 inspections which were more than twice the number required by regulation... The Executive Director reviewed with the the Auditors that all items in quality control indicators that he needed. The Auditor was made aware that this Executive Director reviews, checks and verify all prospective and Recert tenant. In other other

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

words beside sample inspection, more than the required in a small office such as this PHA, we do not have the luxury of having a person that can do this all day and every day. The PHA's Executive Director did show the auditor all items necessary for quality control. It was not until I got this finding that seemed to indicate that PHA did not have trained staff who knew what Quality Control was all about. This is far from the truth.

The PHA is fully aware of the requirements of HUD regarding Quality Control. This PHA has been a high performer the past 5 years and has been audited and monitored many times during that 5 years (**including the current Auditor who found no fault with the PHA when he audited it last year.**)

The PHA is not certain relative to the documentation that the Auditor now says he needs to make a determination of "adequacy". The PHA is requesting that auditor provide the PHA with the HUD regulations that were violated and the codes of such regulations.

Auditor's Response-

During the course of the audit we contacted HUD personnel who provided clear written guidance on the SEMAP requirement of DOCUMENTING quality control samples and re-inspection of units. We provided copies of this guidance to the E.D.. Saying you did something and documenting that you did something are two (2) different things. I do not, at all, understand the PHA's logic in disputing this finding.

Finding 2002 – 4

Name of Program—Low Rent Public Housing, Housing Choice Voucher, Capital Fund Program

CFDA Number – 14.850a, 14.871, 14.872

Federal Agency – HUD

Federal Award Number – FW-2512 – LA101VO

2002 Year

Criteria— Louisiana Revised Statute (LRS) 24:513 requires the PHA to submit its audited financial statements to the Legislative Auditor within six months of fiscal year-end.

Condition—This audit is being published later than 6 months of the PHA's fiscal year end.

Questioned Cost - None

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

Perspective Information – Not Applicable

Cause—The CPA firm performed 4 person-days of field work on February 19, 2003 and February 25, 2003 and attempted to complete the field work and the audit in a timely manner. The audit staff found PHA staff to be uncooperative and not responsive to our needs. We performed additional fieldwork in April 2003 and found PHA staff to be cooperative and responsive enabling us to complete the audit. The CPA firm assumes absolutely no responsibility for the audit being late.

Effect—The PHA is in violation of the referenced state law concerning the audit being timely.

Recommendations – The PHA would be better served if PHA staff would be more responsive and cooperative during the audit process rather than arguing and objecting to audit inquiries.

PHA Response—

The PHA can not believe the the Auditor would blame the lateness of this on Audit on the PHA. WE strongly disagree that we were uncooperative and not responsive to the needs. We have been audited over 28 years and never have the PHA or its Executive Director been accused of being uncooperative and not cooperating.

The PHA received its records during the the 1st three months of the fiscal year. At that time the Auditor was notified that he could begin work on the Audit. The PHA had contracted the Auditor for 2 years so there was no need to delay in doing the audit since he already had the basic information needed on this PHA.

The Auditor finally sent a request for certain records to be pulled. The PHA pulled these records and requested on more than 2 occasions to have records picked up as per the request of the auditor.

After finally picking up the requested information, the auditor took this with him along with the records sent from our fee accountant. He indicated he had more than enough to work on and would let the PHA know if needed anything else.

(The auditor has yet to return our records that our accountants sent to us for this audit for fye 09/30/02 nor have we received our records that were picked up last year for the 09/30/2001 audit.) We have made request for theses records but have not received them.

When the auditor worked over her the 1st day, he worked by himself. The second time he brought in another accountant- a lady whom he described as very tough. At that point, they began to interrogate the ED relative to request for additional items that were not listed on the sheets that were faxed to us. The PHA complied

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

with their request. The Auditors continued with bits of information that he requested which could have been checked in this office with the field visits.

The Auditors left our office upon completion of their field work, according to them and did not return. They indicated that they had reviewed what ever they needed too and did not need anything else from the PHA They continued to request information by fax that required extensive research much additional cost on the PHA Some records had been dug up from 20 years ago to satisfy requested information.

I checked periodically, with the head Auditor or Danny, who only visited our office once, at the end of April 30th about whether he would be able to complete this audit timely. This was discussed the last week of February, 2003. His reply was that he saw no reason why he would not be finished. I talked to Danny earlier mid

March and he told me that he was trying to complete all of the Audits that were due (which was 11 PHA,s) and he expected to get them in on time. I expressed concern that he had not finished our audit and needed to know when he was going to complete the audit.

Later the next week we received additional request on additional information. It was not until the end of the Month that Danny told me (after numerous attempts to reach him) that this PHA's Audit was not going to be submitted by the 03/31 deadline. He told me that he had talked to the Legislature Auditor and that was no problem. THE PHA was not sent anything in writing notifying it of a late audit submission and the reason for it. He told me then that he expected to meet with me prior to April 15 and discuss the preliminary findings and then do the submission.

After several calls to Danny when the April 15th deadline passed, he sent me an email indicating I need to send him additional information and he would meet with me on the 30th of the Month.

The PHA was later told after the 03/31/2003 deadline that the Legislative Auditor gave approval for late submission. Again the PHA is not responsible for this late submission. We felt the Auditor should have supplied the PHA in writing with the request he made to the Legislature Auditor for submission of a late Audit. The PHA's position is that the Auditor should have provided the PHA with documentation of the action he took on behalf of the PHA requesting the submission of a late audit.

**HOUSING AUTHORITY OF THE
CITY OF DENHAM SPRINGS**

Denham Springs, Louisiana

Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

Auditors Response—

This audit was well planned but that planning included a reasonable level of cooperation from PHA management. Had I published the audit by March 31, it would have included two (2) or three (3) additional findings that I was later able to delete. I finally had to resort to fax questions and answers to even the most basic questions, often having to re-send the questions as the fax answers were unresponsive. Regarding the matter of my contacting the Legislative Auditor concerning the late audit, I did notify the Legislative Auditor that the audit would be published late per state law. However, I have always been aware that the Legislative Auditor's Office does not have the authority to extend the deadline, did not ask for such, and did not advise the PHA that we had received an extension.

Finding 2002-5

Name of Program—Low Rent Public Housing, Housing Choice Voucher, Capital Fund Program

CFDA Number – 14.850a, 14.871, 14.872

Federal Agency – HUD

Federal Award Number – FW-2512 – LA101VO

2002 Year

Criteria - The Fair Labor Standards Act defines a full time position as having a minimum of 32 hours per week. It is generally accepted practice that all staff members document time worked on the job.

Condition— Concerning the employment of the Executive Director of the PHA, the following conditions exist:

Per Board resolution, 1) the E.D. position is considered full time with full time paid benefits, and 2) the minimum number of hours required is 25 per week. No record of the E.D.'s daily or weekly working time at the PHA is maintained at all.

Questioned Cost – \$46,612

Perspective Information – The PHA manages 52 units of Low Rent Public Housing, 120 units of Housing Choice Voucher housing and a Capital Fund Program.

Effect—The Board of Commissioners may have violated provisions of the Fair Labor Standards Act.

If so, the condition may have resulted in the PHA donating public funds in that the position has received full time pay as well as full time benefits.

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Schedule of Current Audit Findings and Questioned Cost – 2002 - continued

It is impossible to verify that the E.D. is working the 25 hour minimum required by the Board of Commissioners.

Recommendations – Comply with all Federal and State employment laws and regulations.

PHA Response - The PHA did not provide a "PHA Response" but did provide a Corrective Action Plan.

Finding 2002-6

Name of Program—Low Rent Public Housing
CFDA Number – 14.850a
Federal Agency – HUD
Federal Award Number – FW-2512
Year - 2002

Criteria— The OMB A-133 Compliance Supplement for Public Housing and 24 CFR 901 require the submission of HUD Form 50072, Public Housing Assessment System Management Operations Certification. 24 CFR 901(b)(2) reads, "PHA's shall maintain documentation for three years verifying all certified indicators for HUD on-site review." 24 CFR 901 (b)(5) reads, "A PHA that cannot provide justifying documentation to HUD during the conduct of a confirmatory review, or other verification review(s), for any indicator(s) or component(s) certified to, shall receive a failing grade in that indicator(s) or component(s) and its overall PHMAP score shall be lowered." Additionally, under OMB A-133 Compliance Supplement Part 3 L, the auditor is required to "trace the data to records that accumulate and summarize data" and "perform tests of the underlying data to verify that the data were accumulated and summarized in accordance with the required or stated criteria and methodology, including the accuracy and completeness of the reports". Therefore, the auditee, the PHA, must provide a documented audit trail.

Condition—When the audit staff first asked for a copy of the 2002 MASS submission, we were given a hand written worksheet along with the 2001 electronic submission. When we next asked for a copy of the 2002 MASS submission we were given a blank copy of the 2002 submission. Upon our third request for the 2002 MASS submission we were provided the completed submission and three pieces of paper to document 2 entries to the submission.

Indicator # 1 was incorrectly completed. At item V12700 it indicates that the PHA did not lease any units at all during the fiscal year. During the field work the ED

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indicated that the PHA leased 5 units during the fiscal year, in conflict with the submission.

Had the PHA not leased any units during the fiscal year the entries to V12400 and V12500 would have been zero instead of 2,648 each.

The PHA's position is that the 5 units leased during the year were MOD-exempted units until the day that they were leased and that not 1 day was used for Down Time, Make Ready, and Lease Up for any one of the 5 units leased. The PHA entered zeros for V-12800, V-12900, V-13000 and V-13100. Indicator # 2 states that the PHA expended \$50,987 of CFP funds during the fiscal year, whereas the FDS and the DCF indicate the amount to be \$52,437. The PHA was unable to reconcile the difference.

Indicator # 4 includes at A10400 that the PHA inspected 44 units (or 100% of non-exempted units) using the Uniform Physical Condition Standards (UPCS) and that none required repairs.

The form that the PHA used to document the inspections does not appear to use UPCS.

The response at A11600 indicates that 18 buildings (100%) were inspected using UPCS, none requiring repairs. The PHA did not provide any documentation to support this entry.

Cause—PHA staff seems inadequately trained in MASS certification.

Effect—The MASS certification for this PHA cannot be relied upon by HUD as a management tool for Indicators 1, 2 and 4. Per the regulations, HUD should change the MASS score to a zero for these 3 indicators.

PHA Response—

In response to the Auditor's claim that he was given the wrong copies of the submission form, I strongly disagree with the statements that seem to either indicate that the PHA was not aware of what it was doing or purposely gave the wrong information to the auditor. The PHA did provide the Auditors with the information requested. Some of the documents that were requested apparently were not checked when given to the auditor in our office because when they

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returned the next day, the auditors indicated that they either misplaced or mislaid their copies of the information requested and ask that the PHA reprint. The PHA did go online and provide the Auditor with another copy of the 2002 information. The PHA always asked the auditor when given a bit of information, whether it is what they wanted or not. We have bent over backward trying to satisfy the auditors with what ever they needed. The PHA Executive Director is very Computer Literate and has always been very responsive to the needs and request of this Auditor or any other in the Past who has asked us to supply them with information on the PHA. The Executive Director has taken verbal calls from Mr. McCaskill's Auditors and supplied requested information to them during odd hours, mornings before we opened, or even on Saturdays. We have done whatever it takes to be cooperative.

Indicator 1. The PHA stands by its submission to REAC .PHA is requesting Auditor to cite HUD regulations that were violated and codes for such regulations.

Indicator 2. -The PHA stands by its submission to HUD (see attached from PHA fee Accountant)

Indicator # 4- The PHA stands by its submission to REAC. All units were inspected. There is no HUD form that a PHA can use to comply with this item. HUD does require that what systems are utilized meet UPCS standards. The fact the PHA did not use a particular form does not mean that the PHA did not inspect its units in accordance with UPCS Standards.

Again the Auditor was asked if he knew what the form looked like or if he had a sample form or could tell the PHA where it could find a form that met UPCS standards. His response was that he did know what such a form looked like and that he could not provide guidance.

He further commented that he could not believe that we had units that did not need repair. The PHA was inspected by REAC in October 2000 and was rated 96% and inspected in January 2003 again by REAC who also provided the PHA

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with an unannounced visit when our units were being inspected. The rating this year was 95 %.

The fact that the PHA scored so high on these inspections seems to indicate that we were fully aware of UPCS standards and that we were complying. If we were not complying we would have had numerous violations. Our units are well kept by the residents and well maintained by our maintenance people. We have nothing to hide or even be ashamed of. The auditor did not inspect a single unit to test whether or not the PHA had complied with UPCS standards. The PHA takes issue with this finding.

The PHA made the auditor aware that they are seeking a computerized method of doing future inspections of PHA property. This will be completely implemented by 09/30/2003.

The PHA stands by its previously submitted report to HUD for the same basic reasons as stated in above item. The PHA is requesting that the Auditor provide the PHA with the HUD regulations that were violated and codes for such regulations.

Auditor Response-

The auditor's position is that the MASS submission, as sent to HUD, is mathematically impossible. For indicator # 1, if a ZERO is correct at V12700, then V12400 and V12500 MUST also be ZEROS. Am I to believe the electronic submission to HUD or the subsequent assertion of the E.D. that, in fact, five (5) units were leased during the year? If I then accept the E.D.'s assertion that five (5) units were leased during the year am I then to accept that it took ZERO days to lease the five (5) units, as the E.D. now asserts?

It should be pointed out that the purpose of the MASS submission is not to achieve a perfect score but to realistically assess PHA management. Again, the finding relates primarily to DOCUMENTATION not to be confused with an action taken.

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Corrective Action Plan for Current Year Findings
For Fiscal Year Ended September 30, 2002

Finding 2002 -1

Person Responsible: Fred Banks, Executive Director

Corrective Action Plan: The PHA transferred the data on the old form to the new form. The PHA completed this while the Auditors were here. The Auditors reviewed and confirmed that this was done.

Action Planned. The PHA will continue to use HQS forms that are HUD approved. This is ongoing.

Anticipated Completion Date: Already Completed.

Finding 2002 -2

2. Finding pertaining to La. R.S. 42:1111(C)(2)(d) and La. R.S. 42:1112(B)(3). Both of these statutes pertain to prohibited transactions involving public servants and/or governmental entities.

As we stated in our previous correspondence, La. R.S. 42:1102(12) sets forth the definition for governmental entity which is "the state or any political subdivision which employs the public employee or employed the former public employee or to which the elected official is elected, as the case may be." We are still maintaining that the Housing Authority is not a political subdivision. Since this issue is incapable of being resolved, we are going to seek a formal opinion from the Louisiana Attorney General's Office. We will, at the next Housing Authority Board Meeting, propose a resolution allowing us to seek the opinion of the Attorney General on this matter.

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Corrective Action Plan for Current Year Findings–2002-continued

Finding 2002-3

Person Responsible: Fred Banks, Executive Director

Corrective Action Plan- the PHA has begun to review its Quality Control Plan to make sure it (PHA) is in full compliance with HUD requirements. The PHA will use its consultants to help with this review. Improvements will be implemented where the PHA finds there is a problem.

Action Planned- The PHA will revisit compliance and refine if needed.

Anticipated Completion Date- June 2003.

Finding 2002-4

Person Responsible: Fred Banks, Executive Director

Corrective Action Plan: The PHA has begun its initial contacts to engage an Auditor to do the PHA's audit for the next year. The PHA will intensify its efforts to get early approval for its engagement agreement with emphasis in the agreement on timely completion of future audits.

Action Planned: The PHA will immediately seek an Auditor to engage for its fye 9/30/2003 audit.

Anticipated Completion Time: The anticipated time to complete the process and name an Auditor for the next fiscal year is July 31, 2003. While this is a target dates for completion of this task, it should be noted that the PHA will make every effort to complete this task prior to July 31, 2003.

Finding 2002-5

Corrective Action Plan: The Director, at the next board meeting, will recommend to the Housing Authority Board of Commissioners that the current personnel policy regarding the Director's position be modified and put in compliance with the Fair Labor Standards Act and applicable Louisiana Laws.

Corrective Action Plan: The Director is in a management position whereby he performs his duties pursuant to a time-frame of hours worked per week which should not require him to keep formal time-logs. But, in order to mitigate this finding, the Director is willing to start keeping a

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Corrective Action Plan for Current Year Findings—2002-continued

weekly time sheet of hours worked. This is effective immediately. But, it is our understanding that most, if not all, of the other Public Housing Authority Director's are not keeping formal time-logs of hours worked. Therefore, we are going to formally request what other PHA Director's are doing concerning this matter. If we discover that it is part of normal HUD procedure that Director's are required to keep time-logs, then we will continue with this practice. If our investigation determines otherwise, then we will maintain status quo.

Finding 2002-6

Person Responsible: Fred Banks, Executive Director

Corrective Action Plan-The PHA has already complied as per HUD regulations. The PHA will immediately review the findings to further clarify them so that the intent and compliance will be clearer for an Auditor to follow. More documentation beyond what is required will be done. The PHA has already contacted consultants that are specialist in this area and will use them to help with the review to doubly insure compliance.

Action Planned- The PHA will continue to explore ways and means to improve upon compliance with HUD Regulations. The PHA will consult with other HUD and LHC sources to enhance its efforts relative to clarity and improved decimation.

Anticipated Completion Date- A complete review will be done by August 31, 2003 and continue as ongoing.

SCHEDULE 8

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2002

Line Item Number	Account Description	Low Rent	Housing Choice Vouchers	Capital Fund	Total
111	Cash - unrestricted	\$ 179,579	\$ 122,339		\$ 301,918
114	Cash - tenant security deposits	5,150			5,150
100	Total Cash	184,729	122,339	-	307,068
122	Accounts receivable - HUD other projects			41,999	41,999
125	Accounts receivable - miscellaneous	377			377
126	Accounts receivable - tenants - dwelling rents	109			109
129	Accrued interest receivable	811			811
120	Total receivables, net of allowances for doubtful accounts	1,297	-	41,999	43,296
142	Prepaid expenses and other assets	3,761	-		3,761
144	Interprogram - due from	37,312	4,687		41,999
150	Total Current Assets	227,099	127,026	41,999	396,124
161	Land	17,200			17,200
162	Buildings	2,217,112		58,665	2,275,777
163	Furniture, equipment, and machinery - dwellings	33,020			33,020
164	Furniture, equipment, and machinery - administration	49,716	9,152	10,998	69,866
165	Leasehold improvements	391,409		4,789	396,198
166	Accumulated depreciation	(2,174,470)	(7,322)	(4,661)	(2,186,453)
160	Total fixed assets, net of accumulated depreciation	533,987	1,830	69,791	605,608
180	Total Non-Current Assets	533,987	1,830	69,791	605,608
190	Total Assets	761,086	128,856	111,790	1,001,732

SCHEDULE 8

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2002

Line Item Number	Account Description	Low Rent	Housing Choice Vouchers	Capital Fund	Total
312	Accounts payable < 90 days	2,257			2,257
321	Accrued wage/payroll taxes payable	372			372
322	Accrued compensated absences	5,477	4,012		9,489
331	Accounts payable - HUD PHA Programs		28,583		28,583
341	Tenant security deposits	5,150			5,150
347	Interprogram - due to			41,999	41,999
310	Total Current Liabilities	13,256	32,595	41,999	87,850
300	Total Liabilities	13,256	32,595	41,999	87,850
503	LTD HUD Guaranteed	117,657			
504	Net HUD PHA contributions	508,369		-	508,369
508	Total Contributed Capital	626,026		-	626,026
512	Undesignated fund balance/retained earnings	121,804	96,261	69,791	287,856
513	Total Equity	747,830	96,261	69,791	913,882
600	Total Liabilities and Equity	761,086	128,856	111,790	1,001,732
703	Net tenant rental revenue	93,779			93,779
704	Tenant revenue - other	22,890			22,890
705	Total tenant revenue	116,669			116,669
706	HUD PHA grants	31,642	410,088	5,046	446,776
706.1	Capital Grants			47,391	47,391
711	Investment income - unrestricted	3,704	1,587		5,291
700	Total Revenue	152,015	411,675	52,437	616,127

SCHEDULE 8

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2002

<i>Line Item Number</i>	<i>Account Description</i>	<i>Low Rent</i>	<i>Housing Choice Vouchers</i>	<i>Capital Fund</i>	<i>Total</i>
Administrative					
911	Administrative salaries	20,810	41,295		62,105
912	Auditing fees	5,100			5,100
914	Compensated absences	2,446			2,446
915	Employee benefit contributions - administrative	3,374	3,011		6,385
916	Other operating - administrative	17,821	4,592	5,046	27,459
931	Water	1,429			1,429
932	Electricity	8,810			8,810
933	Gas	1,098			1,098
938	Other utilities expense	23			23
Ordinary Maintenance and Operation					
941	Ordinary maintenance and operations - labor	27,911			27,911
942	Ordinary maintenance and operations - materials	9,324			9,324
943	Ordinary maintenance and operations - contract costs	3,811			3,811
945	Employee benefit contributions - ordinary maintenance	4,526			4,526
Protective Services					
953	Protective services - other	3,707			3,707
General Expenses					
961	Insurance premiums	14,368	3,604		17,972
962	Other general expenses	4,289	152		4,441
963	Payments in lieu of taxes	8,242			8,242
969	Total Operating Expense	137,089	52,654	5,046	194,789
970	Excess Operating Revenue Over Operating Expenses	14,926	359,021	47,391	421,338

SCHEDULE 8

Housing Authority of the City of Denham Springs

Denham Springs, Louisiana

Financial Data Schedule

For Fiscal Year Ended September 30, 2002

Line Item Number	Account Description	Low Rent	Housing Choice Vouchers	Capital Fund	Total
971	Extraordinary maintenance				
972	Casualty losses - non capitalized				
973	Housing assistance payments		340,961		340,961
974	Depreciation expense	123,293	1,831	4,662	129,786
900	Total Expenses	260,382	395,446	9,708	665,536
1000	Excess (deficiency) of total revenue over (under) total expenses	\$ (108,367)	\$ 16,229	\$ 42,729	\$ (49,409)

MEMO ACCOUNT INFORMATION

1103	Beginning equity	843,022	48,964	27,062	919,048
1104	Prior period adjustments, equity transfers and correction of errors	13,175	31,068		44,243
1112	Depreciation "add-back"				-
1113	Maximum annual contributions commitment (Per ACC)		414,181		414,181
1114	Prorata maximum annual contributions applicable to a period of less than twelve months				-
1115	Contingency reserve, ACC program reserve		222,849		222,849
1116	Total annual contributions available		637,030		637,030
1120	Unit Months Available	624	1,440		2,064
1121	Number of unit months leased	542	1,435		1,977